

## Message Text

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ORIGIN EUR-12

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FM SECSTATE WASHDC  
TO AMEMBASSY PARIS PRIORITY

C O N F I D E N T I A L STATE 160097

USOECD

E.O. 11652: GDS

TAGS: OECD, ENGR

SUBJECT: TALKING POINTS FOR JULY 13 CEP

REF: PARIS 19651

1. AT WEDNESDAY'S MEETING OF CEP AMBASSADOR MAY WISH TO  
DRAW ON FOLLOWING BACKGROUND INFORMATION AND TALKING POINTS  
IN PRESENTING U.S. POSITION ON KEY AGENDA ITEMS.

2. ITEM 3. CIEC.

WE ARE GENERALLY SATISFIED WITH THE OUTCOME OF CIEC. THE  
SUBSTANTIVE ADVANCES AND POSITIVE TONE OF THE CIEC CON-  
CLUSION SHOULD PROMOTE A COOPERATIVE AND PRODUCTIVE NORTH/  
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SOUTH DIALOGUE AS IT GOES FORWARD IN EXISTING FUCNTIONAL  
FORUMS COVERING SPECIFIC ISSUES.

TH MAIN GAP IN THE CIEC RESULTS IS THE FAILURE TO AGREE ON  
CONTINUING ENERGY CONSULTATIONS. ENERGY HAS NO NATURAL EXIS-  
TING FORUM IN WHICH TO CONTINUE THE DIALOGUE BEGUN AT  
CIEC. WE ARE NOW REASSESSING WHETHER TO PURSUE AN ENERGY  
DIALOGUE IN AN EXISTING FORUM, AND IF SO, HOW AND WHERE.

EXCEPT FOR CONTINUING CONSULTATIONS, INDUSTRIALIZED COUNTRIES

GAINED MOST OF THEIR ENERGY OBJECTIVES IN CIEC. THE PARTICIPANTS RECOGNIZED THE ESSENTIALITY OF ADEQUATE AND STABLE ENERGY SUPPLIES TO GLOBAL ECONOMIC GROWTH AND THE RESPONSIBILITY OF ALL NATIONS, INCLUDING OIL EXPORTING NATIONS, TO ENSURE THAT SUCH SUPPLIES ARE AVAILABLE. THEY RECOMMENDED THE IBRD GIVE GREATER PRIORITY TO ENERGY DEVELOPMENT IN OIL-IMPORTING LDCS, THAT THERE BE INCREASED ENERGY R&D COOPERATION WITH LDCS, AND THAT THERE BE INCREASED MULTILATERAL EFFORTS TO FACILITATE TRANSFER OF ENERGY TECHNOLOGY.

TALKING POINTS:

-- WE ARE GENERALLY SATISFIED WITH THE CIEC RESULTS.

-- WE REGRET THAT CIEC DID NOT AGREE ON CONTINUING ENERGY CONSULTATION.

-- WE DO NOT BELIEVE THE INDUSTRIALIZED COUNTRIES SHOULD AGAIN TAKE THE LEAD ON THIS ISSUE IN OTHER FORUMS AT THIS TIME. RATHER, WE SHOULD MAXIMIZE OUR OWN INTERESTS IN SUCH A DIALOGUE AND ALLOW THE LDC OIL IMPORTERS AS CONFIDENTIAL

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WELL AS OIL EXPORTERS TIME TO ASSESS THEIR OWN INTERESTS.

3. ITEM 4 EAST-WEST RELATIONS IN ENERGY FIELD

AT THE MARCH 10 MEETING OF THE COMMITTEE FOR ENERGY POLICY, THE SECRETARIAT WAS ASKED TO DRAFT A QUESTIONNAIRE DESIGNED TO COLLECT INFORMATION FROM MEMBER COUNTRIES ON THEIR ENERGY TRADE WITH CENTRALLY PLANNED ECONOMIES. ON MAY 17, THIS DRAFT WAS CIRCULATED TO MEMBER COUNTRIES, REQUESTING COMMENTS BY JUNE 6. THE U.S. HAD NO COMMENTS ON THE QUESTIONNAIRE.

TALKING POINTS:

-- WE WELCOME THIS COMMITTEE'S CONTRIBUTIONS TO THE ORGANIZATION'S OVERALL WORK ON EAST-WEST ECONOMIC RELATIONS. ENERGY IS, OF COURSE, A CRUCIAL SECTOR IN SUCH RELATIONS.

-- WE LOOK FORWARD TO COMPLETION OF THE QUESTIONNAIRE. ITS FIGURES WILL PROVIDE VALUABLE INFORMATION ON THE TRENDS AND IMPLICATIONS OF EAST-WEST RELATIONS IN THE ENERGY FIELD.

4. ITEM 5 LONDON SUMMIT.

THE LONDON SUMMIT STRESSED THE FOLLOWING AREAS OF ENERGY

COOPERATION.

1. NATIONAL AND JOINT EFFORTS TO REDUCE DEPENDENCE ON OIL.
  2. THE PROBLEM OF HOW TO INCREASE RELIANCE ON NUCLEAR ENERGY WHILE AVOIDING THE DANGER OF NUCLEAR PROLIFERATION.
  3. THE SPECIAL PROBLEMS OF ADDITIONAL HELP TO OIL-IMPORTING LDCS TO EXPAND THEIR DOMESTIC ENERGY PRODUCTION.
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ONGOING WORK IN THE FIRST AREA IS PRIMARILY THROUGH THE IEA, IN ITS PROGRAM OF REDUCED DEPENDENCE AND ITS ONGOING EFFORTS AT DEVELOPING ALTERNATIVE ENERGY SOURCES. THE SUMMIT PARTICIPANTS AGREED TO UNDERTAKE AN ANALYSIS OF THE SECOND QUESTION. THIS IS BEING DONE THROUGH INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION. COOPERATION TO INCREASE OIL-IMPORTING LDC ENERGY DEVELOPMENT WILL MAINLY TAKE PLACE IN THE INTERNATIONAL FINANCIAL INSTITUTIONS, ESPECIALLY THE WORLD BANK. CIEC RECOMMENDED THAT THE IBRD INCREASE ITS PRIORITY FOR ENERGY DEVELOPMENT IN THESE COUNTRIES IN THE CONTEXT OF THE BANK'S CAPITAL INCREASE.

TALKING POINTS:

-- THE SUMMIT REAFFIRMED THE COOPERATIVE EFFORT OF INDUSTRIALIZED COUNTRIES AT REDUCING THEIR DEPENDENCE ON OIL THROUGH BOTH INCREASED CONSERVATION AND DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES. THE REDUCED DEPENDENCE PROGRAM NOW IN THE FINAL STAGES OF ELABORATION IN THE IEA AND SCHEDULED FOR APPROVAL AT AN IEA MINISTERIAL IN OCTOBER IS THE CENTERPIECE OF COOPERATIVE ACTION IN THIS AREA.

--(IF NEEDED) IF COUNTRIES NOT INVOLVED IN THE IEA PROGRAM DESIRE TO ASSOCIATE THEMSELVES WITH THIS SET OF REDUCED DEPENDENCE COMMITMENTS, WE ARE CONFIDENT THAT COULD BE DONE THROUGH THE FRAMEWORK OF THIS COMMITTEE OR MUTUALLY ACCEPTABLE INSTITUTIONAL FRAMEWORKS.

-- THE DELICATE ISSUE OF HOW TO INCREASE NUCLEAR ENERGY CAPABILITY WITHOUT RISKING THE SPREAD OF NUCLEAR WEAPONS CAPABILITY IS BEING HANDLED IN THE INFCE.

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-- THERE ARE COOPERATIVE EFFORTS TO ASSIST LDC ENERGY DEVELOPMENT UNDERWAY IN SEVERAL BODIES. THE MAIN FOCUS OF NEW ACTIVITY WILL OCCUR IN THE IBRD WHICH CIEC RECOMMENDED GIVE GREATER PRIORITY TO LDC ENERGY DEVELOPMENT IN THE CONTEXT OF THE BANK'S GENERAL CAPITAL INCREASE.

THERE IS ALSO THE PROSPECT OF IEA R&D COOPERATION WITH LDCS.

5. ITEM 7 SITUATION IN THE INTERNATIONAL OIL MARKET.

THE OIL MARKET REPORT TO BE PRESENTED IS BEING PREPARED BY THE SECRETARIAT AND WILL CONTAIN NO RECOMMENDATIONS OR ITEMS REQUIRING ACTION.

IT WILL REVIEW THE PRICE AND DEMAND SITUATION IN THE OIL MARKET IN 1977, INCLUDING THE RECENT EFFORTS DESIGNED TO END THE TWO-TIER STRUCTURE. THE REPORT WILL NOTE THE COMMITTEE'S PROMISE ENDING THE TWO-TIER OPEC MARKET.

CONTINGENCY TALKING POINTS:

--OPEC HAS RETURNED TO A UNIFIED PRICE SYSTEM. DURING PRINCE FAHD'S VISIT, YAMANI INDICATED THE SAUDIS WOULD PROBABLY BE LETTING THEIR PRICES RISE SOMEWHAT AND WERE SEEKING A LONGER TERM PRICE FREEZE FROM THE OPEC ELEVEN. PRESIDENT CARTER HAS EXPRESSED THE HOPE THAT PRICES CAN BE HELD STABLE THROUGH 1978 AT LEAST.

--WE BELIEVE THE SAUDIS ARE STILL COMMITTED TO MODERATION IN FUTURE OPEC PRICE DECISIONS. IF THE PRICE QUESTION IS UP FOR REVIEW AGAIN IN DECEMBER, THEIR INFLUENCE WILL BE STRENGTHENED BY CONTINUED EXPANSION OF THEIR PRODUCTION CAPACITIES, INCREASED PRODUCTION FROM THE NORTH SEA AND NORTH SLOPE, AND CONSUMING COUNTRY PROGRAMS TO RESTRAIN CONSUMPTION, PARTICULARLY THE FORTHCOMING IEA MINISTERIAL.

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6. ITEM 8 CONTINGENCY TALKING POINTS ON ENERGY POLICY IN THE U.S.

IF CALLED ON TO REPORT ON PROGRESS OF THE U.S. NATIONAL ENERGY ACT.

TALKING POINTS:

--BROADLY SPEAKING, THE NATIONAL ENERGY ACT PROPOSAL HAS BEEN WELL RECEIVED BY THE CONGRESS. THE CONGRESS HAS RECOGNIZED THE NEED FOR A COMPREHENSIVE ENERGY PROGRAM. THE LEGISLATIVE PROCESS IS

CURRENTLY IN ITS INITIAL STAGES. HOWEVER, WE EXPECT SWIFT AND FAVORABLE CONSIDERATION OF MUCH OF THE PROGRAM THIS YEAR AS THE CONGRESS HAS CLEARLY GIVEN THE NATIONAL ENERGY ACT HIGH PRIORITY ON ITS AGENDA.

--IT IS STILL TOO EARLY TO PREDICT THE FINAL PROGRAM THAT WILL BE PASSED BY THE CONGRESS, BUT THE FOLLOWING ARE

SOME OF THE FAVORABLE ACTIONS TAKEN:

THE HOUSE WAYS AND MEANS COMMITTEE APPROVED A GAS GUZZLER TAX A CRUDE OIL EQUALIZATION TAX, A TAX INCREASE FOR OIL AND NATURAL GAS USE BY UTILITIES, ALTERNATIVE PLANS FOR INDUSTRIAL USERS'

TAX REBATE OR CREDITS, BUSINESS TAX CREDITS FOR ENERGY CONSERVATION INVESTMENTS, SOLAR CREDITS, TAX BREAKS FOR GEOTHERMAL ENERGY, INVESTMENT CREDIT FOR RECYCLING EQUIPMENT.

THE INTERSTATE AND FOREIGN COMMERCE SUBCOMMITTEE VOTED TO RENEW LAWS ON HOME INSULATION AND UTILITIES ROLES. HOUSE BANKING SUBCOMMITTEE APPROVED GRANTS, AND INDIRECT CONFIDENTIAL

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LOANS FOR WEATHERIZATION OF HOUSES.

--THE LENGTH OF THAT LIST AND WIDE SCOPE OF TOPICS COVERED INDICATE THAT CONGRESS IS BEGINNING TO CONSIDER SERIOUSLY BASIC QUESTIONS LIKE CONSERVATION AND PRICE STRUCTURE OF ENERGY.

7. ITEM 9 ENERGY AND THE ENVIRONMENT.

THE COMBINED TASK FORCE ON ENERGY AND ENVIRONMENT PREPARED THESE RECOMMENDATIONS AS A FOLLOW-UP TO ITS REPORT ON THE ENVIRONMENTAL IMPACT OF ENERGY USE IN URBAN AREAS IN THE HOUSEHOLD AND COMMERCIAL SECTORS. AT ITS MAY 2-4 MEETING, THE ENVIRONMENT COMMITTEE APPROVED THE TRANSMISSION OF THE DRAFT RECOMMENDATIONS TO THE COUNCIL AND TO THE COMMITTEE FOR ENERGY POLICY FOR ENDORSEMENT OF COMMENT PRIOR TO ITS ADOPTION BY THE COUNCIL. THE U.S. DELEGATION STRONGLY SUPPORTED THE RECOMMENDATIONS.

TALKING POINTS:

--WE SUPPORT THE RECOMMENDATIONS SUBMITTED BY THE ENVIRONMENT COMMITTEE AND URGE THAT THEY BE ENDORSED BY THIS COMMITTEE. THE INTERFACE BETWEEN ENERGY USE AND ENVIRONMENTAL QUALITY IS HIGHLY SIGNIFICANT AND IS OF CONCERN TO ALL OUR COUNTRIES.

--WE STRONGLY SUPPORT CONTINUED AND INCREASED CO-OPERATION AND COORDINATION AMONG CONSTITUENT BODIES OF THIS ORGANIZATION ON ISSUES THAT ARE OF BROAD CONCERN. SUCH COOPERATION PROVIDES MORE EFFICIENT USE OF THE ORGANIZATION'S RESOURCES AND CONTRIBUTE TO IMPROVED HANDLING OF SUCH ISSUES. VANCE

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